State Employee Benefits Committee
August 16, 2010, 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on August 16, 2010 at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB
Brenda Lakeman, OMB, Director, Statewide Benefits
Faith Rentz, OMB, Statewide Benefits
Ann Skeans, OMB, Statewide Benefits
Theresa Strawder, OMB, SBO, Dela*WELL*
Aaron Schrader, OMB, SBO, Dela*WELL*
Laurene Eheman, OMB, Statewide Benefits
Mary Thuresson, OMB, Statewide Benefits
Casey Oravez, OMB, Financial Operations
Terry Mullaney, OMB, PHRST
Rebecca Steele, OMB
Mike Morfe, AON Consulting
Carolyn Berger, Justice, Supreme Court
Russ Larson, Controller General
Steve Kubico, Controller General's Office
David Gregor, Department of Finance
Michael Gould, Department of Insurance
Nick Adams, State Treasurer's Office
Kim Vincent, Office of Pensions
Andrew Kerber, Department of Justice
Patricia Griffin, Chair, SEBAC
Mike Nichols, SEBAC
Mary Cooke, Department of Education
Toni A. Reed, U of D
Zach March, Alere
Beth Reynolds, Alere
Kim Hawkins, City of Dover
Peggy Teal, City of Dover
Lisa R. Carmean, City of Milford
Judy Anderson, DSEA
Tim Barchak, DSEA
Jim Testerman, DSEA, Retired
Rich Phillip, DSEA, Retired
Julie Caynor, Aetna
Andrew Brancati, Blue Cross Blue Shield DE
Faith Joslyn, Blue Cross Blue Shield DE
Judy Grant, HMS
Sandy Richards, AFSCME
Vincent McCann, AFSCME
David Leiter, State Employee, DHSS

Agenda Items Discussed:

Introductions/Sign In

Ms. Visalli called the meeting to order at 2:03 p.m. All were asked to sign the attendance sheet and/or comment sheet if they wished to make public comment. Introductions around the room followed.

Approval of Minutes

Ms. Visalli asked members for a motion to approve the June 28th SEBC minutes. Mr. Adams made the motion and Controller General Larson seconded the motion. Upon unanimous voice approval the motion carried. Because there will be an item to vote on, the agenda was changed to accommodate comments before the vote.

Directors Report

Ms. Lakeman gave an update on the June Coordination of Benefits (COB) forms report. There had been 2,030 spouses sanctioned at that time. To date the number has dropped to 460 after employees were notified it was required they complete the COB form or spouses would be sanctioned. The Statewide Benefits Office will continue to monitor these and keep the SEBC updated.

There will be three Requests for Proposals (RFP) going out, all for programs that will start as of July 1, 2011. The Vision RFP was released today. RFPs will be released for prescription and dental in the next several weeks. We will be back to the committee early in 2011 to present recommendations for contract awards.

Health Fund Financials – (two handouts)

Ms. Oravez explained the June and July 2010 Fund and Equity reports. In June there was a negative balance of almost $3.5 million. It included FY10 Medicare subsidy assigned at $10.6M. On the July report, we have taken that out to go toward the bottom line. In July, we ended at negative $760,000. We have the FY11 Medicare subsidy assigned and which is currently $1.88M. The FY11 Medicare subsidy will continue to be assigned separately. Ms. Visalli added that these two reports reflects both the end of FY10 and the beginning of FY11. Keep in mind these balances do fluctuate and the bottom line number will change depending on the expenses. The July report reflects an increase in the reserve amount of $50M to $55M. As the projected claims increase, the reserve amount must be adjusted to ensure there is an adequate amount. This reflects that change in the reserve methodology as talked about last year.

Health Care Reform Updates – Mike Morfe, Aon (handout)

The Early Retiree Reinsurance Program opened June 29th. The Group Health Insurance Program (GHIP) application has been submitted. Health and Human Services is contemplating approvals and how to do the claims submission for payments. Those regulations will be forthcoming. The expectation of payment is approximately $19M for FY11, although the timing of the receipt of that payment is unknown.

Dependents to age 26 – we continue to contemplate implementing in FY12, consistent with federal law.

Grandfathering has recent regulations. It means that it allows plan sponsors to maintain their current plan. Certain provisions do not apply until 2014, such as covering clinical trials and preventive at 100 percent. The state plans are expected to maintain grandfathering status through at least FY13. Details were given.

Other regulatory guidance such as preexisting condition restrictions does not apply. For Flexible Spending Accounts no over the counter products can be covered in calendar year 2011. There is an auto-enrollment feature that has to be implemented.

The Medicare Trustee Report was recently released. Medicare Part D plans (individual market) begin to improve in FY11, maturing in improvement in CY2020. The Medicare Advantage plans funding cuts begin in CY11 and phase in for 6 years, saving hundreds of millions of dollars. There will be Medicare payment changes to providers that have a dramatic impact. The changes and improvements have pushed the solvency of Medicare out 12 years. The fund is still adequately financed over the next 10 years. These outcomes are far from certain.

Ms. Visalli stated it is complicated. She reiterated that the application for retiree rebate was submitted on July 1. Timing was everything because it is first come, first serve. Ms. Lakeman and staff were credited for getting it done.

The Age 26 dependents coverage does have a cost associated with it. They will work on that when they begin preparing costs for the next plan year.

Health Management Program Update and Engagement Strategy - (two handouts)

Ms. Visalli noted that for multiple years the SEBC has been making headway in the area of wellness and has done a lot of great things. The Wellness team, Aaron Schrader and Theresa Strawder, were thanked for their hard work. The wellness provider, Alere, was present. Last year they moved forward in implementing a stronger wellness component. There have been components of disease management within our medical plans for a number of years. Going forward there will be more involvement with the employees. This is sort of taking health management to the next step. The handout was referred to for review. This new program is a little more rigorous in that it provides monetary incentives which are proven to work. People will be encouraged to be engaged to work at levels appropriate for them according to physical situation, age and medical conditions. They found that the incentive has a return on the investment because people are more likely to carry through. It will be a point system, equitable for people at all levels.

Dela*WELL* - The Next Level of Health Promotion for State Employees – Faith Rentz

Defining the Problem

- Controlling healthcare expenditures
  - 8% trend projected for FY12 ($45.8 Million) and Group Health Program Costs exceeding $600 Million in FY12
  - Customary Methods: reduce value of plan design, increase employee contributions, enforce strict vendor program performance through audits, utilization management programs and performance guarantees
- Unhealthy – Undiagnosed – Untreated Population
  - 23% of all workers have high blood pressure with 30% of them being undiagnosed and another 10% of them not being treated – treatment alone can reduce hospitalization for heart attacks by 25% and strokes by 33%
    (Source: Towers Watson, Jeffrey Dobro, MD)
  - It is estimated that if 100 people with three health risks eliminate just one, productivity gains for the employer would be about $150,000 annually (Journal of Occupational and Environmental Medicine/Staywell Health)
- Health Care Reform
  - Limits ability to cut costs through changes in plan design and employee contributions
  - Encourages employers to contain costs through wellness initiatives

Old Model/Areas for Improvement

- Separate vendors/programs for disease management and wellness initiatives
- Need for stronger leadership in state agencies and stronger commitment to support employee engagement and technology at the state level for dissemination of information
- Need longer term multi-year strategy and goals/objectives for savings and engagement or progressive incentives to employees for continued participation
- Participation/Services:
  - Year 1: 8,826 state employees completed a health risk assessment; first 6,000 employees received a $75.00 incentive; other program components included – coaching for two or more risk factors, Cardio Kinetics assessments, Center for Health Promotion Programs, onsite seminar pilot
  - Year 2: 9,929 state employees completed a health risk assessment and biometric screening; each received a $100.00 incentive; the program was also extended to include spouses/dependents; other program components included – continued coaching, Cardio

Kinetics assessments, Center for Health Promotion Programs, expanded onsite seminars (Dela*WELL* University), Weight Watchers reimbursement program
  - Year 3: 1,966 state employees completed a health risk assessment; **NO INCENTIVE** was offered for participation; the program was further extended to include early retirees – other program components included **-** continued coaching, Center for Health Promotion Programs, Dela*WELL* University seminars and heavily promoted community events and discount programs
- Performance guarantees lacking financial penalties
- Experience identified the need to identify risk factors annually through health risk assessments/biometrics screenings, receive detailed reporting and analytics to measure and determine return on investment and to offer consistent, progressive incentives and statewide support to achieve employee engagement
- Annual Avoidable Costs:

  Avoidable Costs are derived by evaluating the health risk assessment population's risk factors and chronic conditions against a national database of demographically similar individuals who do not possess those same risk factors and conditions and calculating those costs the Group Health Program would not incur if our participants (through healthy lifestyles and proper condition management) successfully prevent adverse events that would otherwise result in ER visits and inpatient hospitalizations.

  It is estimated that the Group Health Program, could avoid an average of $2,300 in healthcare costs for every individual who completes a health risk assessment with biometric screening and properly manages their health risks and chronic conditions through active participation in the State's wellness and disease management education programs and services.

  Consider This – If 50% of the State's eligible employees complete a health risk assessment/biometric screening and successfully reduce their risk factors through healthy living and proper management of chronic conditions, over $47 Million in avoidable costs could be realized annually. The FY12 estimated increase in costs for the Group Health Program is approximately $45 Million or 4*% less than the possible annual avoidable costs*.

Dela*WELL* Program Proposal:

Short Term – FY11

- Promote objectives of Executive Order 19 through targeted program to State employees and their dependents
- Provide Leadership Communication/Education and Appoint Agency/School District Wellness Champions
- Launch Agency/School District Challenges (October)
- Introduce employees to points program to set and achieve wellness goals (October)
  - Receive credit for participating in activities such as Wellness Assessment, Health Screening, Healthy Living Programs (online), Online Monthly Seminars, Health Coaching/Condition Care Management, Dela*WELL* University Onsite Health Seminars, Local Activity/Community Events and Attending Open Enrollment Health Fair which are geared toward the results of the participant's assessment & screening results
  - Require completion of Wellness Assessment in addition to earning minimum of 20 wellness credits to receive financial incentive
    - Silver Level: Earn a total of 20 wellness credits (including Wellness Assessment) and earn a Dela*WELL* Reward of $100 in a Health Reimbursement Account (HRA)

    - Gold Level: Earn a total of 20 wellness credits (including Wellness Assessment & Health Screening) and earn a Dela*WELL* Reward of $200 in a HRA

Funding Strategy/Proposal for FY11:

- Leverage savings from new contract and remaining one time wellness funds ($3 Million) to fund HRAs FY12 (July) – Provides funding at Gold Level for 15,000 employees & early retirees or 36% of eligible employee/retiree population
- Distribute incentive in conjunction with first increase in employee contributions for FY12 (July)
- Using baseline data from FY11 – measure participant changes in health and healthcare spend

Long Term – FY12 through FY14
FY12 & FY13:

- Develop multi year employee contribution strategy and include incentive payments in all Group Health Program projections and budget planning for FY12 and beyond
- Require participants to complete ***both*** Health Assessment and Health Screening and earn a minimum amount of wellness credits to earn incentive
- Modify existing Condition Care Management/Wellness programs based on analysis of assessments/claims data/utilization & ***require individuals to engage in programs based on Health Assessment/Screening results***:
    - Chronic – must participate in Condition Care (formerly Disease Management)
    - At Risk – must engage with a health coach
    - Healthy – participate in healthy living programs and health coaching, if desired
    - Participants would receive credits for engaging based on outcome of Health Assessment/Screening
- Add tobacco surcharge to healthcare premiums and conduct random screenings to monitor compliance ($10 per month)
- Introduce preventive screening campaigns that offer low/no out of pocket costs to employee

FY14:

- Link incentive payments to healthcare premiums and health promotion to employee productivity
- Require participants to achieve health improvements & risk reduction to receive incentives
- **Reduce Group Health Program trend by $13 Million**

Key points were discussed and questions answered. Ms. Rentz expressed they wanted the committee's support in paying out the incentive and offering a Health Reimbursement Account (HRA). Previously it was paid out through payroll as a cash incentive. They want to open this option up to the early retiree population. By using an HRA it becomes non taxable and usable for health items.

Ms. Visalli pointed out that in the past they had health rewards after tax. If you were receiving a $100 reward you would see approximately $75 after taxes. In this case if you put money into an HRA you do not pay tax on the incentive. This links the money to the activity associated with participation in the wellness program and the participant spends the money on other things health related. This is a major connection we didn't have before that can be beneficial and a good way to administer the incentive. Prior to Executive Order 19 (handout) was Executive Order 18. It controls the temperature in all state buildings. She hopes to have as much success with Executive Order 19. They are trying to participate with the Governor in activities to draw attention to wellness. There are many things including the Farmer's Market on the mall and biking to work, etc.

Ms. Rentz proposed to the committee for FY11 to bring back the incentive opportunity and make it an ongoing piece of the Wellness program. Wellness and Condition Care, previously referred to as Disease Management, is now one integrated program and a part of every employee's health benefit package. She also proposed that between October 1 and May 31 as the time to earn points necessary to be eligible for the incentive, to be paid out in July in a HRA. They are requesting the committee's approval to leverage the contract savings, which are significant at about $1.5M from moving the Wellness and Disease Management programs to Alere. There is about $1.5M remaining from the $5M that the committee allocated about two years ago to go towards wellness initiatives. They are asking that those monies are set aside and used to fund the incentives that will be paid out. Ms. Visalli added that programs like the HRA do not have an expiration date on them. Beyond FY11 they are asking the committee's support to continue including incentives in their budget annually and for it to become a part of the health fund door opener. For following years, continue to increase participation engagement in the program by increasing the goals and objectives to be achieved each year. The point system and how to earn points was explained in detail. Having a multi-year plan with one provider (Alere) will allow for tracking all information year after year and comparing change. They are now able to obtain detailed reporting that can be used to measure return.

Another consideration is a tobacco surcharge to healthcare premiums. Other states are doing this to improve their member's health and hold down costs. This piece was not to be voted on today. Ms. Visalli encouraged ongoing comments from SEBC and the public. Justice Berger stated they've been doing this for several years but don't know if it resulted in any actual health care savings. Ms. Visalli agreed and explained that in the beginning the programs were not set up in a way to help monitor and track the savings longitudinally. Justice Berger stated the various goals include increased participation. There seems to be an assumption that increased participation results in lower health care costs. Will they be able to see that in cold hard numbers at some point? An example was given as to doing the right thing but then ending up with a higher health care cost the that year. She questioned the assumption. The idea is great. Even if they can do it, will it result in lower numbers? Mr. Morfe explained their expectation is to have 30 percent participation and with that they will see results. Justice Berger was concerned about having it set up in such a way that they can actually say this number went down and it went down in correlation to the number of people who did X. Justice Berger also asked if they were considering having a gym accessible or giving time off to do these things. Ms. Visalli said she did not believe tax payers would support a gym. Other low costs things could be done. Suggestions were given as to how to accomplish these things, considering agencies have different needs. Controller General Larson cautioned they may need a reality check when they put the costs of all these things together what will the cost look like for the employee and the employer. Ms. Rentz explained what they wanted was the SEBC to make a commitment that they need to continue to look at this and figure out what is it that needs to be done to get people engaged. Ms. Visalli stated what they came up with was based on their research and work with their partners. SEBC has to give it the go forward. A base line needs to be established and is the key for measuring change going forward. They need a commitment to continue or they will lose the opportunity to get employees involved and making changes in their health. Mr. Gould's asked if two married employees will get separate incentives and if it could be carried over at year end. Justice Berger asked if it earned interest. Yes, each employee gets individual incentives and the HRA can be carried over into the following year, but it does not earn interest. Comments followed before the vote.

SEBAC Comment – Patricia Griffin, Chair, SEBAC

SEBAC supports the Wellness program with incentives and requests that the program design promote participation by employees at all pay grades.

Public Comments

Dave Leiter, state employee, was concerned that the SEBAC gets a general overview and not the details of what will be presented at the SEBC meeting. For example, they did not see the Dela*WELL* handout. If they could get a brief overview from Mike Morfe it would be helpful. He also had concern with the tobacco surcharge and wondered why they wouldn't also include those who use alcohol. If you're going to do it, let's hit where it's going to get everybody and not just a few. He reminded that pay grades one through five need their help.

Vote

Ms. Visalli asked for a motion to approve moving forward with the incentive program (as described on the handout) for FY11 with a commitment to develop a multi-year strategy in FY12 and regular reporting back to the committee. Mr. Gould made the motion and Controller General Larson seconded the motion. A unanimous voice approval followed and the motion carried.

Other Business

Ms. Visalli stated the next SEBC meeting would be September 27, 2010 at 2:00 p.m. in the same room. The SEBC needed to go into Executive Session for a health appeal and there would be no further business for public session.

Ms. Visalli asked for a motion to end the public session to move into Executive Session. Controller General Larson made the motion and Mr. Adams seconded the motion. Upon unanimous voice approval the public session ended at 3:04 p.m.

At 3:13 p.m. the SEBC public session reconvened. Ms. Visalli asked for a motion to approve the health benefit appeal recommendation discussed in Executive Session. Mr. Adams made the motion and Mr. Gould seconded the motion. The motion carried upon unanimous voice approval.

Ms. Visalli asked for a motion to adjourn the meeting. Controller General Larson made the motion and Mr. Adams seconded the motion. The motion carried upon unanimous voice approval and the meeting ended at 3:14 p.m.

Respectfully submitted,

Mary K. Thuresson
Administrative Specialist
Statewide Benefits Office, OMB